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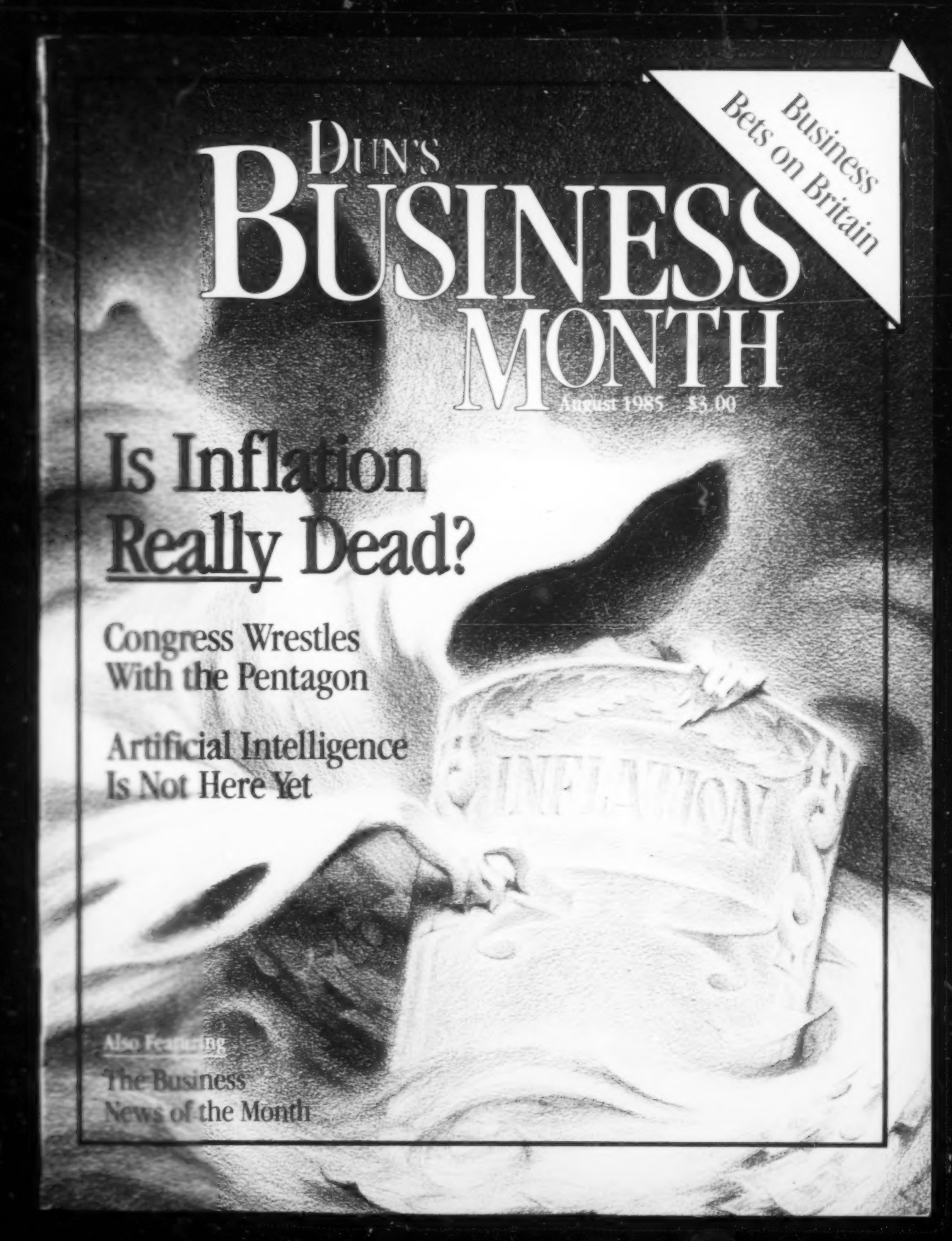
Business Bets on Britain

Is Inflation Really Dead?

Congress Wrestles With the Pentagon

Artificial Intelligence Is Not Here Yet



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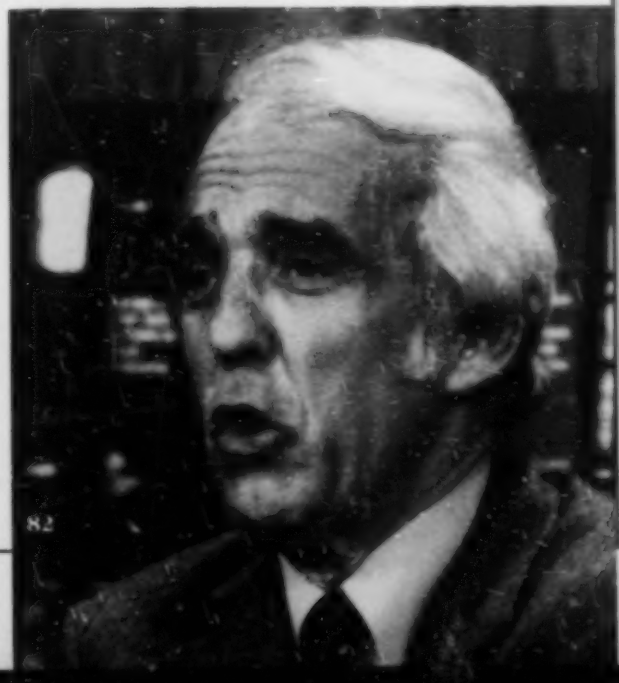

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Strength in Small Business

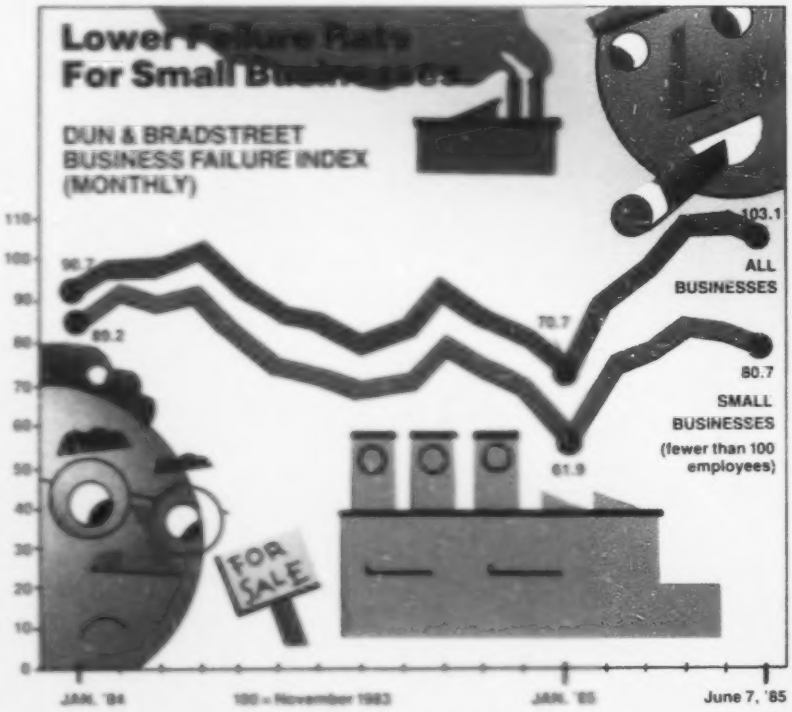
The launching of new companies is up sharply and failures are far below the level for all business.

One of the most promising, indeed heartening, trends in the economy during the 1980s is the vitality and strength of small business. In particular, the recent business expansion has been characterized by an extraordinarily high level of entrepreneurial activity.

For example, business starts as reported by The Dun & Bradstreet Corp. increased from 90,757 in 1982 to 102,329 in 1984, a very healthy gain of 12.8%. Another important measure of entrepreneurial activity, new incorporations, rose 12% during the same period.

The character of these new businesses has varied little from past experience. The bulk of them has been in the traditional American entrepeneurial enterprises: restaurants, small retail outlets, supplier firms and manufacturing industries, along with the traditionally volatile construction sector. In smaller measure, they include high-tech activities such as manufacturers of personal computers and personal computer components, software developers and computer retail outlets.

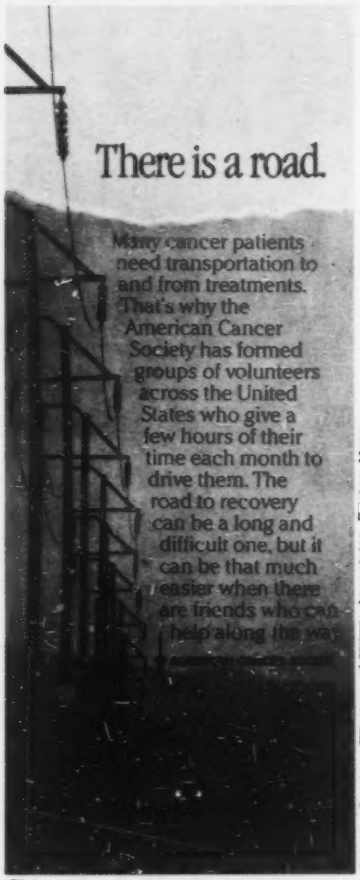
Despite the high level of new business formations by small entrepreneurs, the level of failures among small businesses (defined as companies with fewer than 100 employees) is actually contrary to the trend for all companies.



While the Dun & Bradstreet index of business failures among all companies has increased modestly during 1985 following a small decline in 1984 (*see chart*), the failure index for companies with 100 or fewer employees was actually 20% lower in the first quarter in 1985 than the first quarter of 1984. The monthly index shows a continuing decline in the number of smaller business failures and a growing spread between their experience and that of the general population of all companies.

This strength among small companies bodes well for the long-term prospects of the U.S. economy. Small firms tend to be extremely flexible in responding to changing economic conditions. In addition, nearly 75% of employment gains in 1985 will be in companies with fewer than 500 employees and nearly one-third of total employment will be in firms with fewer than twenty employees, which suggests continuing strength for the economy in the months ahead. —JOSEPH DUNCAN

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.


There is a road.
Many cancer patients need transportation to and from treatments. That's why the American Cancer Society has formed groups of volunteers across the United States who give a few hours of their time each month to drive them. The road to recovery can be a long and difficult one, but it can be that much easier when there are friends who can help along the way.
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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(6/30/85) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$22.46/share	$10,143	$13,050
per cent change		+1.4%	+30.5%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE		$10,073	$12,828
ACCUMULATED INCOME	$109.84	$ 90	$ 1,372
TOTAL		$10,163	$14,200
per cent change		+1.6%	+42.0%
Money Market Fund	7.21%	$10,059	$10,924
per cent change		+ .6%	+9.2%
Gold (Krugerrands)	$331.75/oz.	$ 9,918	$ 8,409
per cent change		−8.2%	−15.9%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$93,000	$87,000	$84,100
per cent change		+6.5%	+9.6%
New House	$102,400	$106,400	$93,400
per cent change		−3.9%	+8.8%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

potential. "Revlon has recognized its problems, and beefed up its marketing considerably." Moreover, the company remains a potential acquisition target. "That's not the reason to invest, but it provides an extra attraction."

Schering-Plough Corp., a major developer in Europe of Interferon, a prospective cure for the common cold, is reasonably priced at around 48 given the expected decline in the value of the dollar, Grossman contends. "There is debate on the street as to whether or not it is the right Interferon play. But I like Schering-Plough because it has reasonable value."

While the property and casualty issues as a whole have done exceptionally well this year, Grossman thinks CNA Financial "still has a lot of room to grow." He notes that premiums in many instances have doubled, creating a pricing structure "that is just tremendous for producing significant earnings."

In addition to these laggards with unrealized value, Grossman favors interest sensitive groups such as the utilities and regional banks. "After a 20-year bear market, the utilities, in general, are positioned to be an attractive group for many, many years to come," Grossman says. He notes they will be generating significant cashflow, earnings and dividends given the more relaxed regulatory stance by utility commissions, lower capital demands now that capacity is in place and continued growth in demand vis-a-vis the growth in the economy.

He likes TECO Energy, Tuscon Electric Power, Public Service Co. of Colorado, Public Service Co. of New Mexico and Dayton Power & Light, all of which have minimal nuclear exposure and are in fast growing regions.

The regional banks, in sharp contrast to their money-center cousins, are not battered "everytime there's a crack in Brazil or Mexico," Grossman says. His bank picks include Citizens & Southern Georgia, Wachovia Corp, Hibernia Corp New Orleans and Bank of New York. —LYNN ADKINS

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